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FEDERAL-PROVINCIAL-TERRITORIAL MEETING
OF MINISTERS ON FILM AND BOOKS

The Current Situation in Québec's Book Industry

Government of Québec

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AFFAIRES CULTURELLES

The current situation in Quebec's book industry

When several measures aimed at reducing foreign control of the Quebec book industry came into effect in 1972, the number of companies in the field began to increase. Indeed, in 1986 the book trade in Quebec now controls close to 80% of its market, both in and out of Quebec.

To better comprehend such an evolution, we have drawn up two information papers: the first takes a look into the various measures adopted since 1972 and the other involves a study of the impact of the Act on the development of Quebec companies in the book trade.

THE CURRENT SITUATION IN QUEBEC'S BOOK INDUSTRY

The cultural policy proposal on publishing in Canada tabled by the federal government's Communications Department is based on three underlying objectives which we fully endorse. They are:

- the domination of the Canadian publishing market by a dynamic and profitable publishing industry;
- a publishing industry owned by Canadians capable of supplying the demand of the Canadian market;
- a support for book publishing reflecting Canada's cultural specificity which cannot be underwritten by the private sector alone.

However, if we examine the state of the book trade in Quebec within the context of these three objectives, and in light of the existing situation in English speaking Canada, we'll see that it differs from other Canadian provinces because the Quebec government brought in a certain number of measures in 1972. Of even greater impact was the Act on the development of Quebec companies in the book trade to correct a situation similar to the one we now find in the rest of Canada which amounts to a gradual invasion and takeover by foreign companies of the main areas of the book industry namely publishing, distribution and bookstores.

Together with the major professional book associations, as of 1972 the Quebec government adopted orders-in-council which first off ended a price and discount war and gave bookstores the exclusive right to sell books to subsidized

institutions and to the government and its agencies.

Though far from perfect at the time, such measures at least protected one area of the book trade i.e. the bookstores, by halting their closing while protecting the purchasing power of institutional buyers and the public at large through a control mechanism affecting publishers' and distributors' discounts to bookstores and the top sales price of a book.

These measures, however, left the door wide open to foreign investors and didn't solve the problem of control of the Quebec book market by foreign companies in the areas of publishing, distribution and bookstores.

Following numerous consultations, it was only in 1979 that the Quebec government adopted Bill 51 on the development of Quebec companies in the book trade.

This Bill grouped together all the partners in the trade including the buyers.

It was founded on the fundamental principle of 100% Quebec ownership and confirmed through official approbation of the Department of Cultural Affairs. This special status conferred on publishers, distributors and booksellers enabled publishers to obtain Quebec government grants from all departments and, in addition, protected the exclusive rights of Quebec distributors while giving booksellers the exclusive right to sell to subsidized institutions and government or paragovernment departments and agencies.

Only when the law was enforced did the foreign stranglehold on the Quebec book trade begin to loosen. There

was a two year moratorium for foreign companies to comply with the law and become wholly owned Quebec companies and thus qualify for Quebec government aid.

At the same time, or in 1979, the Development board for the cultural and communications industries set up in 1978 went into operation. One of its prime goals was to make funds available to owners of Quebec companies in the book trade in the form of loans or loan guarantees so as to acquire control of foreign companies or else resist the temptation to sell them to foreign buyers. Through the intervention of SODIC the largest bookstore network in Quebec was saved from either going under or being taken over by foreign owners.

The result of all these measures backed up by aid programs to publishers and bookstore owners is that today the Quebec book trade controls 80% of its market both in and out of Quebec. The Department of Cultural Affairs is involved in the book trade through a wide range of programs which fill the multiple needs of the industry.

- ON THE INTERNAL MARKET

. Publishers

Publishers are entitled to a program of aid to publishing and promoting their books. They are further entitled to financial aid to participate in the yearly book fairs held in the various regions of Quebec. At present the Department subsidizes nine such fairs throughout Quebec.

. Booksellers

As for the bookstores, the provisions of the Act on the development of Quebec companies in the book trade guarantees accredited bookstores the totality of sales to subsidized institutions, government and paragovernment departments or agencies. This mandatory legal procedure funnels the money into the bookstore network which is necessary to its survival and development through increased profitability.

And finally, two aid programs are made available to bookstores:

- an aid program to train bookstore owners and staff;
- a program for bookstores in remote areas of Quebec to help with book shipments.

- ON THE EXTERNAL MARKET

. Publishers

The Department of Cultural Affairs facilitates the participation of publishers in the international book fairs of Paris, Brussels and Bologne. Moreover, in collaboration with the Department of External Relations, the Department of Cultural Affairs has set up an aid program for joint publishing ventures with France backed up by an aid program for promotion.

What is even more striking are the results achieved for example in the two following areas of the book trade:

. The area of scholastic publishing

Competition from foreign companies in scholastic publishing, especially from U.S. firms, has decreased considerably. Indeed, the Act on the development of Quebec companies in the book trade restricting access only to Quebec publishers to the financial aid programs of the Department of Education and to the FCAC fund (training, researchers and concerted action) has enabled Quebec scholastic book publishers to become more competitive by producing teaching manuals for use at the collegiate and university level, an area traditionally dominated by the large U.S. and French publishing firms. Moreover, publishers consolidated and further developed their elementary and secondary school markets.

By the end of December 1985, the major scholastic book publishers reported sales in the vicinity of $65 million on an overall Canadian total of some $306 million, or 21% of the Canadian market of scholastic books.

Quebec publishers have now cornered 80% of the Quebec market and are making inroads beyond Quebec in other Canadian provinces, Europe and French speaking Africa.

. The area of bookstores

In addition to making sure that the major Quebec bookstores remain in the hands of Quebeckers and develop through increased profitability, the Quebec government

wanted to develop a network of bookstores suitably structured to meet the demands of all Quebeckers throughout Quebec.

A study on the impact of the Act on the development of Quebec companies in the book trade enables us to conclude that our goal has been achieved.

Study on the impact of the Act on the development of Quebec companies in the book trade *

* excerpt from a study soon to be published in *Chiffres à l'appui*, a statistical information bulletin relating to cultural affairs published for those involved in the areas of culture, studies and research.

ACT ON THE DEVELOPMENT OF QUEBEC

COMPANIES IN THE BOOK TRADE

- Impact on accredited bookstores -

The book trade is an important business yet somewhat ambivalent. On the one hand it must live up to cultural expectations and the public's need for information, education, recreation and culture while, on the other hand, it must take the demands of the marketplace into account.

The Act on the development of Quebec companies in the book trade (1) made it possible to upgrade and sustain a network of accredited bookstores throughout Quebec, to provide readers with quality service and to develop a domestic book market. Since coming into effect, the Act has produced positive results in Quebec. After a brief outline of this Act governing accredited bookstores, we will deal with the impact of the Act on accredited bookstores and on Quebec readers.

- The implications of the Act

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(1) Act on the development of Quebec companies in the book trade, L.Q. 1979, C. 68

The Act on the development of Quebec companies in the book trade stipulates that:

> "To be valid, any purchase of books on behalf of a government department, of one of its agencies or assignees or on behalf of an agency must be made through a bookstore duly accredited in virtue of this Act."

- **Agencies affected by the law:**

  - municipal corporations, regional county municipalities, urban and regional communities as well as all agencies under their jurisdiction regardless of their mandate and law regulating them;

  - school boards as well as all agencies under their jurisdiction regardless of the law regulating them;

  - colleges of general and professional learning;

  - institutions subject to the Act on private schooling;

  - public libraries and central lending libraries as understood in the Act on public libraries;

  - establishments subject to the Act on health services and social services.

The various institutions must purchase their books in their respective regions and spread their purchases over at least 3 accredited bookstores not belonging to the same person. This purchase sharing is dictated by the quality of service supplied by the bookstores.

To be accredited a bookstore must primarily have its main place of business in Quebec, be constituted according to the Laws of Canada or the Laws of Quebec, operate an establishment with easy access from a public thoroughfare or shopping mall, receive book offers from 25 accredited publishers and have the necessary library facilities.

When the law was enacted and the various regulations came into effect, the results were interesting as much for the development of accredited bookstores by giving them access to a preferential market as for the population of Quebec, more precisely Quebec readers in that it made books more available to them regardless of where they lived in Quebec.

- **The impact of accredited bookstores**

  . The accredited bookstore in Quebec: a profile (2)

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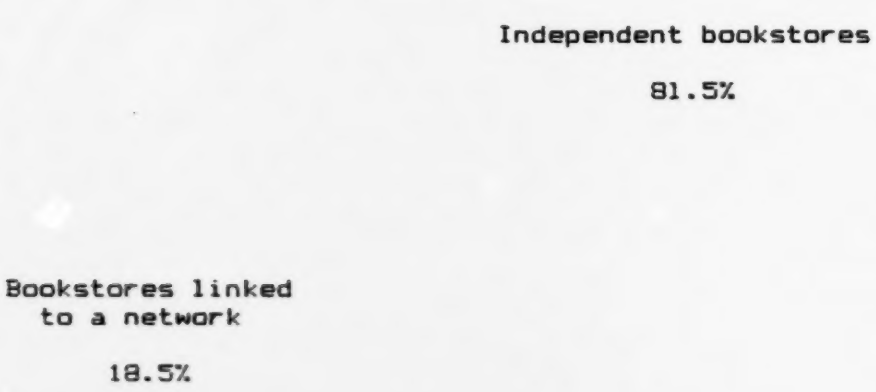
(2) Useful data has been taken from a study on the accredited bookstores in Quebec, to be released in 1986.

In 1983, 168 bookstores were accredited in Quebec and equipped to sell to public institutions (3). Over 80% of the accredited bookstores are independent while 18% belong to a chain of 2 or more. Chart 1 illustrates this breakdown and highlights the presence of the independents in relation to the bookstores grouped in a network or part of a large chain.

CHART 1

Status of accredited bookstores (168 bookstores)



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(3) In January 1986, the number of accredited bookstores stands at 176, representing a 16% increase in the number of accredited bookstores since the Act came into effect.

There are accredited bookstores in every region of Quebec. For a regional breakdown of accredited bookstores, we have grouped Quebec's 10 administration regions into 3 large regions. In grouping the sub-regions of Montreal north, Montreal south and Montreal center, the Montreal region has 87 accredited bookstores. The urban regions made up of Quebec City, Trois-Rivières, Eastern Townships and Outaouais have 57 accredited bookstores. And finally, resource regions comprising the Lower St. Lawrence/Gaspesia, the Saguenay/Lake St. John, the Northwest, the North Shore and the New Quebec regions have 24 accredited bookstores.

This grouping of regions into 3 large ones is predicated on economic reality. It is important to point out that the resource regions account for 10% of the Quebec production and their economy is mainly based on the primary sector, especially forests and mines. Moreover, these are regions far removed from the large urban centers and are thinly populated. A quarter of Quebec's production stems from regions polarized by Montreal. The economic structure of these urbanized regions ranks half way between that of the resource regions and the Montreal region with its much lower primary sector. Montreal is of such importance to the economy that it can be said that its overall production alone is twice that of the rest of Quebec put together.

As can be seen in Chart 1, the presence of bookstores in the various regions is assured and in line with their

population. Moreover, according to the norms of UNESCO, for a bookstore to be viable it should be able to draw on a population of at least 35,000. Although this ratio is achieved for Quebec overall - with an average of 38,680 inhabitants per accredited bookstore - it is clearly below the norm when it comes to the resource regions with an average of only 33,657 inhabitants per store and only slightly higher in urbanized regions with 35,249 inhabitants per accredited bookstore. (Chart 1)

CHART 1

Geographical breakdown of accredited bookstores

Regions	Accredited bookstores	Population	Population per bookstore
Resource areas	24 14.3%	807,776 12.5%	33,657
Urbanized	57 33.9%	2,009,183 30.9%	35,249
Montreal	87 51.8%	3,677,207 56.6%	42,267
Overall	168 100.0%	6,494,166 100.0%	38,680

Nearly 40% of the accredited bookstores in Quebec (38.7%) are located in cities with less than 35,000 inhabitants, or the equivalent of 2 accredited bookstores out of 5.

The average number of book titles on the shelves of the overall accredited bookstores amounts to 11,092 titles. Accredited bookstores in the resource regions stock more titles than those in the Montreal region, with a respective average of 11,106 titles as opposed to 10,550. The gap can mainly be explained by the number of specialized accredited bookstores in the Montreal region catering to particular fields (law, religious books and the like). It is nonetheless interesting to see that Quebeckers, wherever they happen to be, have access to an equivalent number of titles in bookstores. Chart 2 complements these few observations by also providing the average floor surface of accredited bookstores according to region.

CHART 2

Average floor space and average number of titles in stock

Regions	Average floor space (m2)	Titles in stock (average)
Resource areas	371.4	11,106
Urbanized	408.3	11,913
Montreal	391.2	10,550
Overall	394.1	11,092

This profile of accredited bookstores in Quebec already shows the obvious impact of the Act on the development of Quebec companies in the book trade. The pertinence of the law can be seen in the viability of independent bookstores, the presence of bookstores throughout Quebec and in the number of titles.

. The book market

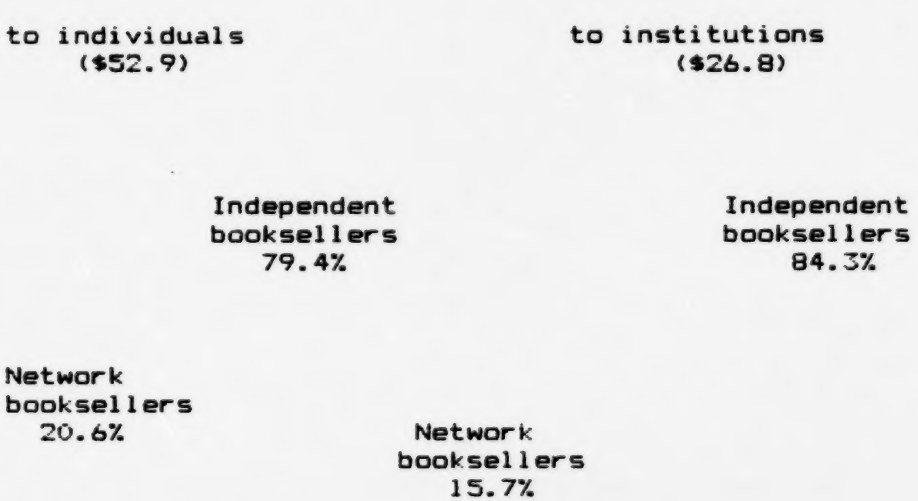
In 1983 the book market in accredited bookstores totaled close to $80 million ($79.7 million). Book sales to public institutions account for 34% of this market and add up to $26.8 million while sales to individual customers came to 66% of the market, or $52.9 million.

It is a market dominated by independent bookstores as they account for 81% of all book sales. Moreover, 84% of the purchases made by public institutions ($26.8 million)

pass through independent bookstores as compared to 16% to those linked to a network. Book sales to individual customers ($52.9) are in a proportion of 79% with independent bookstores compared to 21% with network bookstores. Chart 11 reveals the importance of the independent booksellers in the sale of books to individual customers and public institutions.

CHART 11

The book market
in 1983



The institution market is very important to independent booksellers. Sales they have made to public institutions account for 35% of their revenue from overall book sales. As for booksellers linked to a network, sales to institutions amount to 29% of their overall book sales (Chart 3).

CHART 3

The book market
in 1983
($0,000)

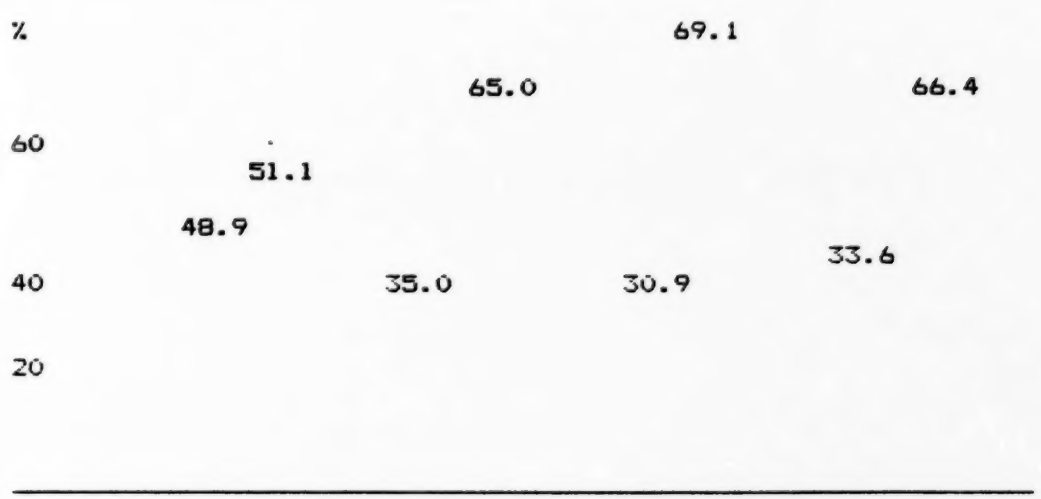
1983 sales

Status	To individuals	To institutions	Total
Independent booksellers	42,018.9 65.1%	22,559.8 34,9%	64,578.7 100.0%
Network booksellers	10,876.0 72.0%	4,229.7 28.0%	15.105.7 100.0%
Overall	52,894.9 66.4%	26.789.5 33.6%	79.684.4 100,0%

Accredited booksellers in resource regions rely on sales to institutions as close to 50% (48.9%) of the revenue from their book sales comes from these sales. For urbanized regions and Montreal, sales to institutions account for 35% and 31% respectively of their revenue from book sales. Sales to public institutions are of less importance in urbanized regions and Montreal than to resource regions. They are nonetheless an important source of revenue. The economic structure of these regions, the size of their population and its socio/economic makeup contribute to the greater volume of sales to individual customers. Chart 111 illustrates the revenue breakdown of accredited booksellers according to

the large regions studied and lists the respective proportions of sales to institutions and individuals as compared to bookstores as a whole in Quebec.

CHART 111
The book markets by region
in 1983



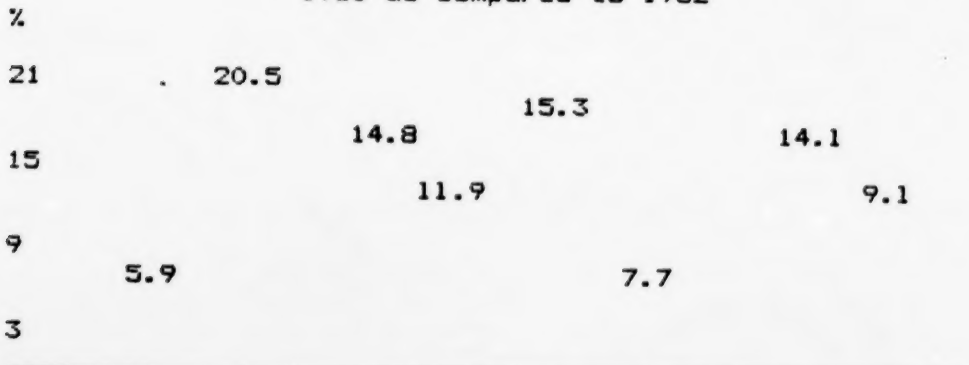
It should be noted that booksellers in cities with less than 35,000 inhabitants derive nearly 40% of their book revenue from public institutions.

For most booksellers, they offer other items apart from books such as stationery, office supplies and the like which bring in additional revenue to accredited bookstores. In 1983 the sales of accredited booksellers in Quebec reached $123.1 million with 22% of overall revenue coming from sales to institutions. Put another way, for each $100 of the booksellers' revenue, $22 comes from sales to institutions, or nearly one quarter of their overall sales.

Sales figures in 1983 for the accredited booksellers increased by 13.1% over 1982. Over this period book sales increased by 11.2% with a 14.1% increase in sales to institutions and a 9.7% hike to individuals.

The growth in the book market differed with each region and between sales to individuals and institutions. Sales to institutions had a 5.9% growth curve in resource regions compared to an overall 14% for the other regions and for the whole of Quebec. The sparse population of resource regions together with the number of public institutions serving the population can best explain such a low rate. On the other hand, an interesting point is that sales to individuals saw a 20.5% increase in resource regions as compared to less than 10% for the whole of Quebec and the Montreal region. Chart 1V illustrates the growth in the book market in each of the regions and in the whole of Quebec.

CHART 1V
Growth rate in the book market
1983 as compared to 1982



It is clear that the institution market provides important revenues for accredited booksellers particularly for independent booksellers located in the resource regions. As we have pointed out, the regionalization of purchasing imposed by law provided interesting revenues to booksellers in each region, and more specifically in remote regions, besides making books available to Quebeckers. The sharp growth of book sales to individuals in remote regions testifies to the effectiveness of the law as far as the readers in these regions are concerned.

. Impact on Quebec readers (4)

Over the year 1983, about one of every two Quebeckers 15 years of age and older went at least once to a bookstore (5) (51%) of Quebeckers). The number of calls on bookstores varies from region to region but the gaps is not that wide from the general average.

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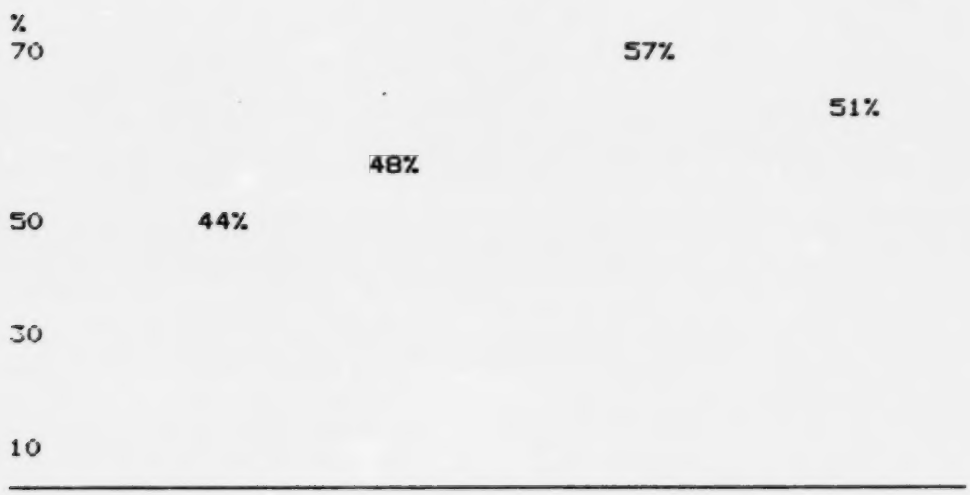
(4) Pertinent data was taken from a study on the behavior of Quebeckers (15 years and over) regarding cultural recreation, 1983

(5) This involves all bookstores both accredited and not.

The highest frequency rate is in the Montreal region where 57% of the population has visited a bookstore. The range of books available together with the number of bookstores across the region contribute to the frequency factor. As for the resource regions, 44% of the population visited bookstore over the past year, a rate somewhat similar to the urbanized regions if selection and population size are taken into account. (Chart V)

CHART V
Frequency rate of visits to bookstores in 1983

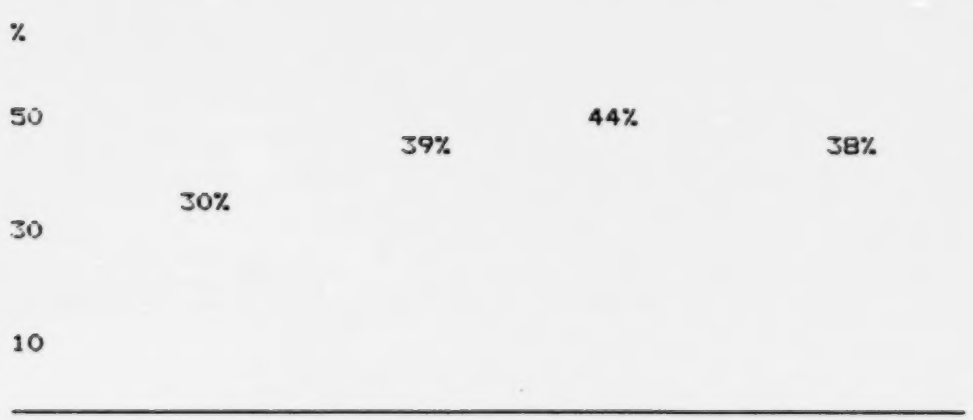


Half of Quebeckers, or 51%, regularly read books, 36% rarely read them, while 13% never do. Book reading is thus a widespread habit among the population of Quebec and this holds true for the regions overall even though it is more widespread among city than rural dwellers.

Forty-four percent of the population in resource regions regularly read books as compared to 62% in the Montreal region and 45% in urbanized regions. Several factors can explain this phenomenon. People living in urban areas (Quebec City and Montreal) have a higher degree of education and are in a higher income bracket and the presence of a university, colleges and research centers are all conducive to regular reading.

The majority of readers, or 60%, usually buy their own books and 38% of these buy them at bookstores. Put another way, four readers out of ten buy their books in a bookstore. In resource regions, three out of ten buy their books in a bookstore (Chart V1).

CHART V1
Proportion of readers who buy their books in a bookstore



Conclusion

The Act on the development of Quebec companies in the book trade had a favorable impact on the viability of bookstores everywhere across Quebec. It enabled independent booksellers who are well integrated in the community to provide their readers with professional service comparable to that available to readers in urbanized regions.

On this score, the law achieved its objective.

Department of Cultural Affairs

February 1986

GROWTH OF THE NUMBER OF BOOKSELLERS FROM 1971 to 1986

ADMINISTRATION REGIONS	1971	1978	January 1986
	Before order-in-council No. 352-72 of February 1972		
01 Eastern Quebec	6	6	8
02 Saguenay, Lake St. John	5	8	9
03 Quebec City	15	12	29
04 Mauricie-Bois-Francs	10	12	11
05 Eastern Townships	3	5	10
06 Montreal	63	64	91
07 Outaouais	4	7	7
08 Abitibi-Témiscamingue	3	5	6
09 North Shore	2	3	5
10 New Quebec	-	-	-
	111	122	176